

"The mission of the Louisiana Department of Revenue is to administer applicable laws and collect revenues to fund state services."

Cynthia Bridges  
Secretary

## Message from LDR Secretary, Cynthia Bridges

Louisiana's Natural Disaster Sales Tax Refund Program is maintained to assist residents in recapturing the sales tax paid on uncovered items lost in such tragedies. LDR has been working with a number of civic, professional and faith based groups to get information to Louisiana residents that can assist them in preparing this refund application.

Due to the high demand for financial relief and assistance during our state's rebuilding efforts, the unwelcome byproducts- rumor, opportunism and misinformation, seek a niche within it. Individuals of questionable integrity have been circulating promises of "guaranteed refund amounts" in return for a "fee". These "preparers" have been providing lists of common eligible properties to vulnerable taxpayers, instructing them to list items on the application regardless of whether they actually lost these items or not.

Each of these questionable applications suggests taxpayers did not actually possess all of these personal items but rather, may have convinced themselves that an opportunity exists to exploit the refund application. These submitted, notarized applications are now in LDR possession. Let me assure you that LDR takes such fraudulence very seriously. We are investigating every suspect claim.

Other opportunists suggest that the "program" will end soon and that taxpayers must hurry up and apply in order to get the refund. For some unfortunate applicants an expediting fee conveniently surfaces here. The fact is taxpayers have up to three years from the date of a declared natural disaster to file a refund application. The "program" does not end without an amendment to do so being passed by our state legislators.

I am concerned for reasons that go well beyond the obvious. Fraudulent activities of this sort can only negatively impact the public image of Louisiana's professional tax preparers. The poor decisions made by a relative few have temporarily produced a negative connotation for this important benefit; an unfortunate stumbling block on our road to recovery.

Residents of our state are eager to profess confidence, not the lack of it, in the fact that Louisiana can support their families and investments. The Natural Disaster Sales Tax Refund program is one of numerous benefits available to assist taxpayers when the need arises. My staff and I will not allow this important program to be jeopardized. I ask for your assistance in directing Louisiana taxpayers to the facts. By both administering this refund and prosecuting abuse of it, together, we can make a critical step toward this confidence.

For more information on Louisiana's Natural Disaster Sales Tax Refund visit us at:  
<http://www.revenue.louisiana.gov/sections/hottopics/ndrg.asp>

Cynthia Bridges, Secretary  
Louisiana Department of Revenue

# Resident/Non Resident Filing "Quick-Reference" for Individuals Displaced by Hurricanes Katrina or Rita

## **There are two major Louisiana individual income tax returns;**

### *Resident Return IT-540*

Individuals having a permanent place of abode in Louisiana are required to file the Resident Return IT-540. By Louisiana statutes: residents are persons residing within the state for more than six months of the year.

### *Non Resident/Part-Year Resident Return IT-540B*

Persons residing in the state for less than six months of the year.

## **Here's the difference!**

Resident Returns tax all income, regardless of source. Non Resident/Part-Year Resident Returns tax only income earned while residing in Louisiana.

## **What this means for the 2005 tax year?**

If an individual resided in Louisiana for more than six months prior to the hurricanes and left the state at the time of the hurricanes, they are required to file a Resident Return reporting all their income no matter where or how it was earned.

## **What this means for the 2006 tax year?**

Depending upon individual circumstances, individuals who left Louisiana at the time of the hurricanes and who remain out of the state would likely be required to file a 2006;

### *A Resident Return would be filed in the case of:*

- Individuals who return to Louisiana prior to July 2006 and reside in Louisiana the remainder of the year will reside in Louisiana for more than six months of 2006,
- Individuals who remain outside Louisiana in 2006 but who do not establish a new domicile, will be considered domiciled in Louisiana for the entire year,

### *A Non Resident Return would be filed in the case of:*

- Individuals who do not return to Louisiana and have established a new domicile outside Louisiana in 2006. However, these individuals should report to LDR all income earned until the time they establish the new domicile.
- Individuals who established a new domicile in 2005 and do not return to Louisiana in 2006 will not be required to file a 2006 Louisiana income tax return unless they have income, such as rents, royalties and gains from sales of assets in Louisiana.

## **Who is domiciled in Louisiana?**

The Louisiana Civil Code provides in part that, "The domicile of each citizen is in the parish wherein the individual has principal establishment." Domicile is inferred from the totality of a person's actions. (The determination of domicile can, at times, be very complex.) For a person who actually moves and intends to make their new location their home, the answer is usually obvious.

## **What does this mean for displaced persons?**

Simply residing in another state will not change domicile. A new domicile is produced by actually residing in the other state combined with the intention of making the other state one's home. Intent is not something that can be objectively observed. However, it can be inferred from a person's actions. For example:

- Claiming a homestead exemption in Louisiana is expression of the intent to make Louisiana one's home.
- Voting in Louisiana is expression of a claim to a Louisiana domicile.

# Electronic and Online Filing Payment Options for Businesses made Easier!

The following E-Filing options are available for Louisiana businesses:

## Electronic Funds Payment Requirements

Revised Statute 47:1519 requires some taxpayers to make tax payments electronically by ACH Debit or Credit or by immediately investable funds. If the taxpayer elects to pay by immediately investable funds, which include cashier checks, guaranteed money, or cash, the payments must be brought to the Department the day before the due date or mailed to arrive a day before the due date.

## Payments by Electronic Funds Transfer

Businesses choosing to make tax payments by electronic funds transfer must complete and submit Form R-20193, "Authorization Agreement for Electronic Funds Transfer (EFT) of Tax Payment" This form is available at the department's web site using the following link: [www.revenue.louisiana.gov/forms/taxforms/20193L\(2\\_99\)F.pdf](http://www.revenue.louisiana.gov/forms/taxforms/20193L(2_99)F.pdf).

The following electronic payment options are available:

### ACH Debit Payments

Payment by ACH debit requires businesses to provide their bank information to LDR to be entered on their account and provided to a third-party vendor. The vendor then registers the business in their system by account number and tax code. Each tax type must be registered separately. After the business' bank information is on file with the vendor, the business will be sent a letter containing a password and the access codes needed to call the vendor and initiate payments. Payments may be initiated by telephone or computer.

### ACH Credit Payments with Addenda

Payments by ACH credit require businesses to inform LDR of their intention to make payments by ACH credit and then to make arrangements with their bank to transfer the funds. Businesses should first confirm that their bank is capable of making ACH transmissions that include an addenda record indicating the business' 10-digit revenue account number, tax type, and tax period. EDI transmissions are not acceptable.

Upon registering for electronic funds transfer payments, businesses will be mailed the Louisiana Electronic Funds Transfer (EFT) Guidelines booklet, Form R-20201. This booklet is available at the department's web site using the following link: [http://www.revenue.louisiana.gov/forms/publications/20201\(03\\_04\).pdf](http://www.revenue.louisiana.gov/forms/publications/20201(03_04).pdf).

Note: The Department cannot take money from a taxpayer's bank account unless the taxpayer initiates the transmission and cannot re-send a transmission that fails. It must be re-initiated by the taxpayer. Initiating an EFT transmission does not guarantee that the payment will be received successfully.

## *Sales Tax Topics Workshops*

The following Regional Offices of the Louisiana Department of Revenue will be hosting Beginner's Workshops covering general basic sales tax topics.

### Baton Rouge Regional Office

**When:** (10:00 a.m.) . July 14, 2006 . October 13, 2006

**Where:** 1<sup>st</sup> Floor Auditorium . 8549 United Plaza Blvd.  
Baton Rouge, LA

**Info:** Contact Kent LaPlace at: (225) 922-2300

### Lafayette Regional Office

**When:** (2:00 p.m.) . July 14, 2006 . October 13, 2006

**Where:** 825 Kaliste Saloom Rd.  
Brandywine III, Suite 150 . Lafayette, LA

**Info:** Contact Romona Bergeron at: (337) 262-5454

### Shreveport Regional Office (New Business Sales Tax)

**When:** (9:00 a.m.) . September 26, 2006

**Where:** 1525 Fairfield . Room 630 . Shreveport, LA

**Info:** Contact Richard Jefferson (318) 676-7505

## LaTAP - Louisiana's Taxpayer Access Point

LaTAP is fast becoming the preferred method of electronic revenue account access. Offering "Convenience, Accuracy and Speed" it places instant processing at your fingertips, 24-hours a day, 365 days a year! Visit the "e-Services" section of our website at your convenience for more information.

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Prior to attempting to enter LaTAP, you may want to watch the Demo offered on the Online Options page. To register your account in LaTAP, you will need your revenue account number, and the last payment amount completed. You will

need to create a 6 to 10 digit password. After the registration is completed, an authorization code will be sent to you via email. If you entered an incorrect last payment amount, or if your email is incorrect, the authorization code will be mailed to you. During your first LaTAP transaction, you will be asked to input banking information in this secured LDR site. You can add tax accounts once your personal access information is processed.

You should not attempt to access LaTAP again without this authorization code. You will not be able to change your password or click on "Forgot Password" until this authorization code has been successfully used for the first time... but after that, you're on your way!

## Federal GO Zone Legislation a Positive Step for Louisiana Taxpayers

Congress has enacted two key pieces of legislation, the Katrina Emergency Tax Relief Act or KETRA (Public Law Number 109-73) and the Gulf Opportunity Zone Act of 2005 (Public Law Number 109-135). Both individual and corporate Louisiana taxpayers victimized by the storms can benefit from this legislation.

### Individuals Can Receive Relief in a Variety of Areas

- Individuals receive a large amount of relief in the area of charitable contributions. The legislation suspends the overall limitation on itemized deductions or the 50 percent AGI limit as well as allowing for special mileage rules for use of a personal vehicle. A rule also exists for charitable work and contributions of food inventory.
- The net operating loss carry back period and the replacement period for property involuntarily converted due to Hurricane Katrina have both been extended.
- Significant changes have been made in the area of housing. A credit worth 130 percent of the qualified project costs is allowed for rebuilding housing and historic buildings in areas designated a "difficult development area." Additionally, 30 percent (up to \$600) of the cost of employer-provided housing for employees in the GO Zone are not included as income for the employee. The last main area of relief was given in the area of qualified hurricane distributions and loans from qualified plans.

### Corporations and Small Businesses Benefit in Several Ways

- Businesses receive an enhanced Section 179 deduction of up to \$200,000 for property expenditures in the GO Zone.

- Companies receive first year 50 percent bonus depreciation on qualified property placed in service after August 27, 2005, and before January 1, 2008.
- Companies are allowed a deduction of up to 50 percent of the cost of cleanup and demolition includable in the property basis or incurred in the GO Zone after August 27, 2005 and before January 1, 2008.
- Companies receive an expansion and extension of the Employee Retention tax credit as well as a Work Opportunity tax credit for hiring individuals affected by Hurricane Katrina and incentives for employer-provided housing.
- Like individual taxpayers, businesses also receive an extension of both the net operating loss carry back period and the replacement period for property involuntarily converted due to Hurricane Katrina.
- Companies benefit from an increase in the Rehabilitation tax credit to help restore commercial buildings as well as several benefits in the charitable contribution category.

While the tax benefits listed above impact Louisiana taxpayers' federal returns, they also may provide benefits for those same taxpayers' Louisiana income tax returns. To the extent that the disaster-related charitable deductions affect an individual's Federal Schedule C, Louisiana allows the deduction. Act 23 of the 2005 Extraordinary Session allows special treatment for disaster related relief credits. Normally, when a taxpayer's federal income tax liability decreases due to federal credits, the taxpayer's Louisiana income tax liability increases since Louisiana provides a deduction for federal income tax paid. Act 23 amends

**(...Federal GO Zone continued)**

and reenacts R.S. 47:287.85(C)(2) and R.S. 47:293(3) to provide that the Louisiana income tax deduction for federal income taxes paid shall not be reduced by the amount of federal disaster relief tax credits. In other words, Act 23 prevents Louisiana taxpayers from paying additional tax because they received a federal disaster relief credit.

For a complete list of individual and business tax Go Zone provisions visit the LDR website at:

<http://www.revenue.louisiana.gov/sections/hottopics/ndrg.asp>

## Louisiana's Natural Disaster Sales Tax Refund Progress Report

For processing the Natural Disaster Sales Tax Refund it is important that taxpayers are aware of the difference between "movable/tangible property", and "immovable/titled property".

While the program has been successful and assisted taxpayers throughout the state, LDR receives numerous applications that must be returned to the preparer due to a lack of specific information on the items eligible for this refund. Declared items must be broken down individually, rather than listed as "Living Room Furniture" or "My Entertainment Center".

In the near future, a 12-minute instructional video produced by LDR to assist Louisiana taxpayers with the Natural Disaster Sales Tax Refund application process will be available for viewing. Developing information regarding this video will be posted in the "Hot Topics" section of the LDR website soon. Also keep the following in mind:

- Movable property includes any items within a home that are not attached or installed permanently. For instance, a washer and dryer are eligible, while a water heater is not.
- Titled property such as motorcycles, boats, automobiles, ATVs or trailers are not eligible.
- You must have personally paid a Louisiana state sales tax on the eligible items; gifts and inherited properties are not eligible for the refund.
- There are common items individuals often forget to include such as; indoor and outdoor furniture, kitchen utensils, table lamps and area rugs.
- Declared items can not be eligible for coverage under insurance policies or FEMA assistance.
- This refund covers personal items. Home based business items are not eligible.
- Items lost at a location other than your home are not eligible (for instance, a camp, recreational or secondary dwelling).
- Refunds are not allowed on water skis, snow skis, golfing and tennis equipment, or other recreational equipment for use away from the homestead.
- The completed application must be signed by the applicant and the preparer. It must be notarized prior to submission to LDR.
- A person must show some documentation that a loss was incurred.
- The property must have been located in parishes where disaster relief funds were made available by the President of the United States.
- The claimant must be a resident of Louisiana and have filed a Louisiana State Income Tax Return for the year prior to the date of the claim.

## Sales Tax Charge for Private Non Profit Organizations

Recently, LDR has received numerous calls regarding sales tax payments by non-profit organizations. The Louisiana sales tax law requires that selling dealers collect the sales tax on all of their sales for use of consumption by purchasers, including their sales to private nonprofit organizations. The law does not grant

exemption from the payment of sales tax to the broad range of private nonprofit organizations on the basis of their nonprofit status. Selling dealers are cautioned not to honor customers' requests for tax exemption on the basis of their nonprofit status authorized, unless a specific statute is cited as the reason for

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**(...Sales Tax Charge *continued*)**

the exemption or exclusion, and the qualification of an organization for the exemption or exclusion can be reasonably verified. Questions concerning this matter can be directed to the department's Taxpayer Services Division at 225.925.7356.

## Phase-Out of Corporate Franchise Tax Debt

Franchise taxable periods beginning on or after January 1, 2006 (generally, returns due now) include the first phase of the phase-out of indebtedness from the franchise taxable base.

The amount of debt to be reduced from the franchise taxable base is calculated using the ICFT 620 Schedule A-1.

Many times, the account groupings referred to as "Other Current Liabilities" and "Other Liabilities" contain a mix of indebtedness accounts and surplus accounts. An example of a surplus account is deferred income tax, which might appear in either or both of those account groupings.

Since some items contained in the "Other Current Liabilities" and "Other Liabilities" account groupings often are debt accounts subject to the new debt phase-out, those account grouping titles are included in the bottom portion of Schedule A-1 as accounts subject to the 14% reduction of debt.

In order to prepare a correct franchise tax return and calculate the correct franchise tax, it is important to ensure that the other current liabilities as reported on Schedule A-1, line 14, and the other liabilities reported on Schedule A-1, line 18, only contain debt and no surplus accounts. Any account balances that are surplus, such as deferred income taxes or other reserves, must be added to Schedule A-1, line 4, instead.

In summary, deferred income tax or any other reserve of surplus that might be considered as "Other Current Liabilities" or "Other Liabilities" continues to be fully includible in the franchise taxable base. To the extent that those types of surplus amounts are included in the account groupings called "Other Current Liabilities" and "Other Liabilities" on Schedule A, they should be subtracted for purposes of Schedule A-1, lines 14 and 18, and added for purposes of Schedule A-1, line 4.

Tax Topics is a quarterly publication of the Louisiana Department of Revenue. Information contained herein is of a general nature; taxpayers requiring information concerning a specific tax matter should contact the appropriate tax office. Subscription information may be obtained from the Communications Section at the address below, or by calling (225) 219-2760.

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